

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations as a result of our examination are presented below. We have reviewed these findings and recommendations with management to provide an opportunity for their response. Management offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

OFFICE OF HIGHWAY COMMISSION CHIEF ADMINISTRATIVE OFFICER

FINDING 02.01 **SIGNATURE STAMPS WERE USED TO SIGN WARRANTS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination disclosed that signature stamps were used to affix the signatures of the highway commission chairman and secretary-treasurer to payroll and vendor warrants. Tennessee Code Annotated does not provide authority for the use of a signature stamp. Also, Private Acts of 1980, Chapter 262, requires the chairman of the highway commission to sign, in ink, and the secretary to countersign, all warrants on the county trustee for payment of funds.

RECOMMENDATION

Management should discontinue the use of signature stamps and sign payroll and vendor warrants in accordance with the requirements of Private Acts of 1980, Chapter 262.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 02.02 **RECORDS WERE NOT MAINTAINED FOR GENERAL FIXED ASSETS**
(Internal Controls – Material Weakness Under Government Auditing Standards)

Lake County did not inventory, value, and record its general fixed assets (buildings, equipment, etc.), as required by generally accepted accounting principles. The Governmental Accounting Standards Board has adopted Statement 34, which will become effective for Lake County for the year ending June 30, 2004. Statement 34 places an even greater emphasis on the need to maintain general fixed asset records.

RECOMMENDATION

Lake County should inventory, value, and record its general fixed assets in accordance with generally accepted accounting principles.

FINDING 02.03 **A SYSTEM OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Lake County officials had not adopted a central system of accounting, budgeting, and purchasing. Establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes.

RECOMMENDATION

Lake County officials should consider adopting the County Financial Management System of 1981 or a private act, which would provide for a system of central accounting, budgeting, and purchasing covering all county departments.

FINDING 02.04 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE, COUNTY CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Offices of Trustee, County Clerk, Clerk and Master, Register, and Sheriff. Employees responsible for maintaining the accounting records in each of these offices were also involved in issuing receipts, preparing bank deposits, taking deposits to the bank, posting receipts to the cash journal, and/or reconciling bank statements. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.

FINDING 02.05 **THE COUNTY HAD DEFICIENCIES IN ACCOUNTING FOR PATIENT ACCOUNTS RECEIVABLE AT THE AMBULANCE SERVICE**
(Internal Control – Reportable Condition Under Government Auditing Standards)

A control account for patient accounts receivable of the Ambulance Service was not properly maintained and did not accurately reflect patient accounts receivable at any time during the period under examination. Also, the subsidiary patient account receivable ledger had not been maintained properly and did not reflect correct individual patient accounts receivable balances. The Ambulance Service has a policy that provides for the write-off of uncollectible accounts receivable that are 18 months old. However, because the control account for patient accounts receivable and the patient subsidiary accounts receivable

ledger did not reflect the correct individual account receivable balances, we could not determine if this policy had been followed. Because of these deficiencies, patient accounts receivable at June 30, 2002, have not been reflected in the financial statements of this report. The exclusion of patient accounts receivable of the Ambulance Service at June 30, 2002, is not considered to have a material effect on Lake County's financial statements.

RECOMMENDATION

The control account for patient accounts receivable should be maintained properly and should accurately reflect patient accounts receivable at all times. Also, the subsidiary patient accounts receivable ledger should be maintained properly and reconciled with the control account monthly.